

Message Text

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ACTION EB-08

INFO OCT-01 EA-12 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 AGRE-00 CEA-01
COME-00 FRB-01 H-02 INR-10 INT-05 L-03 LAB-04
PA-02 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 /097 W
-----118073 130849Z /13

O 130826Z APR 78
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC IMMEDIATE 7074

UNCLAS SECTION 01 OF 02 TAIPEI 02272

E.O. 11652: N/A
TAGS: ETRD, EAID, TW
SUBJ: BRINGING LDCS INTD FUTURE EXPORT CREDIT
- CONSENSUS
REF: STATE 083355

1. THE INTERNATIONAL COMMERCIAL BANK OF CHINA (ICBC) IS THE ONLY BANK IN THE ROC WHICH EXTENDS GOVERNMENT-SUPPORTED EXPORT CREDITS. THE ICBC IS A PRIVATE BANK BUT ONE THIRD OF THE REGISTERED CAPITAL IS OWNED BY THE GROC. A SPECIAL ACCOUNT, NOW TOTALLING NT DOLLARS 230 MILLION (US DOLLARS 6.1 MILLION), WAS APPROPRIATED IN 1971 TO SUPPORT THE EXPORT CREDIT PROGRAM. THE MINISTRY OF FINANCE RECENTLY AGREED TO SUPPLY NT 370 MILLION (US DOLLARS 8.7 MILLION) IN ADDITIONAL FUNDS TO THIS ACCOUNT. THE PROGRAM WILL BE TURNED OVER TO THE ROC EXPORT-IMPORT BANK, NOW SCHEDULED TO OPEN IN OCTOBER, 1978.

2. UNDER THE CURRENT ICBC PROGRAM, NT DOLLAR LOANS ARE AVAILABLE TO EXPORTERS OF MANY TYPES OF CAPITAL EQUIPMENT, AS PRESCRIBED BY THE INDUSTRIAL DEVELOPMENT
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BUREAU. A LIST OF ITEMS ELIGIBLE FOR FINANCING IS BEING POUCHED TO EA/ROC.

3. TO BE ELIGIBLE FOR A LOAN, A COMPANY MUST BE DIRECTLY ENGAGED IN PRODUCTION, AND MUST BE REGISTERED AS A QUALIFIED EXPORTER WITH THE BOARD OF FOREIGN TRADE. THE AMOUNT OF THE LOAN MAY NOT EXCEED 90

PERCENT OF THE VALUE OF THE EXPORT CONTRACT. A GUARANTEE FROM A FOREIGN FINANCIAL INSTITUTION MAY BE IN THE FORM OF AN IRREVOCABLE LETTER OF CREDIT, A LETTER OF GUARANTEE, OR A PROMISSORY NOTE, ENDORSED BY THE INSTITUTION. THE BORROWER MUST PURCHASE INSTALLMENT PAYMENT EXPORT INSURANCE FROM A LOCAL INSURANCE COMPANY, WITH RIGHTS ENDORSED TO THE ICBC. THE COST OF THE INSURANCE IS ABOUT 0.4 PERCENT OF EACH INSTALLMENT PAYMENT, INCLUDING INTEREST. INTEREST ON THE LOAN IS CHARGED AT THE LOCAL TERM-LOAN RATE PREVAILING ON THE DATE THE LOAN AGREEMENT IS SIGNED, AND REMAINS UNCHANGED DURING THE TERM OF THE AGREEMENT. THE CURRENT RATE IS 6.5 PERCENT PER ANNUM. THE COMMITMENT FEE IS 0.5 PERCENT PER ANNUM. BORROWERS NEED NOT PLEDGE COLLATERAL AGAINST THE LOAN.

4. TERMS OF LOANS RANGE UP TO SEVEN YEARS FROM THE DATE OF FINAL DELIVERY. IN GENERAL, LOANS OF LESS THAN US DOLLARS 50,000 SHOULD BE REPAID WITHIN THREE YEARS OF FINAL DELIVERY; LOANS OF US DOLLARS 50,000 TO US DOLLARS 100,000 SHOULD NOT EXTEND BEYOND FIVE YEARS, AND THOSE BEYOND US DOLLARS 100,000 SHOULD NOT LAST MORE THAN SEVEN YEARS AFTER FINAL DELIVERY. PAYMENTS OF PRINCIPAL AND INTEREST BEGIN SIX MONTHS AFTER FINAL DELIVERY, AND SHOULD BE MADE EVERY SUCCEEDING SIX MONTHS, IN EQUAL INSTALLMENTS.
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5. THE ROC EXPORT-IMPORT BANK IS SCHEDULED TO OPEN IN OCTOBER, 1978. LEGISLATION AUTHORIZING THE BANK HAS NOT BEEN FINALLY APPROVED BY THE GROC, BUT THE GENERAL OUTLINES OF THE PROPOSED BANK AND ITS FUNCTIONS ARE CLEAR. THE BANK WILL BE ENTIRELY OWNED BY THE GROC, AND WILL OPERATE UNDER THE SUPERVISION OF THE MINISTRY OF FINANCE. THE GROC WILL EVENTUALLY APPROPRIATE ABOUT NT DOLLARS 10 BILLION (US DOLLARS 263.2 MILLION) FOR THE BANK, WITH ABOUT 25 PERCENT OF THIS AMOUNT AVAILABLE WHEN THE BANK OPENS. IT IS ANTICIPATED THAT THE BANK WILL EVENTUALLY BORROW FROM DOMESTIC AND FOREIGN MONEY MARKETS, AND WILL ISSUE MEDIUM AND LONG-TERM BONDS. THE BANK'S FUNCTIONS WILL BE:
A. GUARANTEEING AND FINANCING ON A LONG TERM BASIS THE EXPORT OF MACHINERY AND CAPITAL EQUIPMENT FOR EXPORTERS, FOREIGN BUYERS AND GOVERNMENTS.
B. GUARANTEEING AND FINANCING FOR EXPORTERS ON A LONG TERM BASIS TO ENABLE THEM TO MAKE INVESTMENTS ABROAD FOR THE SUPPLY OF RAW MATERIAL AND THE EXPANSION OF EXPORT MARKETS; PROVIDING GUARANTEES TO ENGINEERING FIRMS WHICH UNDERTAKE CONSTRUCTION PROJECTS OVERSEAS.

C. GUARANTEEING AND FINANCING ON A LONG TERM BASIS THE
IMPORT OF RAW MATERIAL AND EQUIPMENT FOR EXPORTERS.
D. UNDERWRITING EXPORT INSURANCE.

THE INTEREST RATE WILL BE THE LOCAL PREVAILING TERM
LOAN RATE. THE COMMITMENT FEE WILL BE AROUND 1
PERCENT. COMMERCIAL RISKS WILL BE 85 TO 95 PERCENT
OF THE CONTRACT PRICE. THE CASH PAYMENT REQUIRED WILL
RANGE FROM 10 TO 20 PERCENT OF THE CONTRACT PRICE.

6. THE GROC EXPECTS TO FOLLOW US EXIMBANK PRACTICES
CLOSELY. MESSRS. WANG KWANG-SHENG, SENIOR VICE
PRESIDENT OF THE BANK OF TAIWAN; CHANG JUNG-CHOU,
DEPUTY MANAGER OF THE BANK OF TAIWAN; AND HSIEH
JEN-TUNG, VICE PRESIDENT OF THE TAIWAN MEDIUM
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AND SMALL ENTERPRISE BANK, WILL LEAVE TAIPEI ON MAY
12 FOR TWO WEEKS OF TRAINING AT THE US EXPORT-IMPORT BANK

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NSCE-00 SSO-00 ICAE-00 INRE-00 AGRE-00 CEA-01
COME-00 FRB-01 H-02 INR-10 INT-05 L-03 LAB-04
PA-02 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 (ISO) W
-----118653 130920Z /13

O 130826Z APR 78

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC IMMEDIATE 7075

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AN ENGLISH-LANGUAGE DESCRIPTION OF THE ROC
EXIMBANK, PREPARED BY RONALD HO, CHAIRMAN OF THE AD-HOC
COMMITTEE TO ESTABLISH THE EXIMBANK IS BEING POUCHED
TO EA/ROC. UNGER

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